



# Programs & Services

Presented by the  
Illinois District Office  
of the SBA.



4th Edition



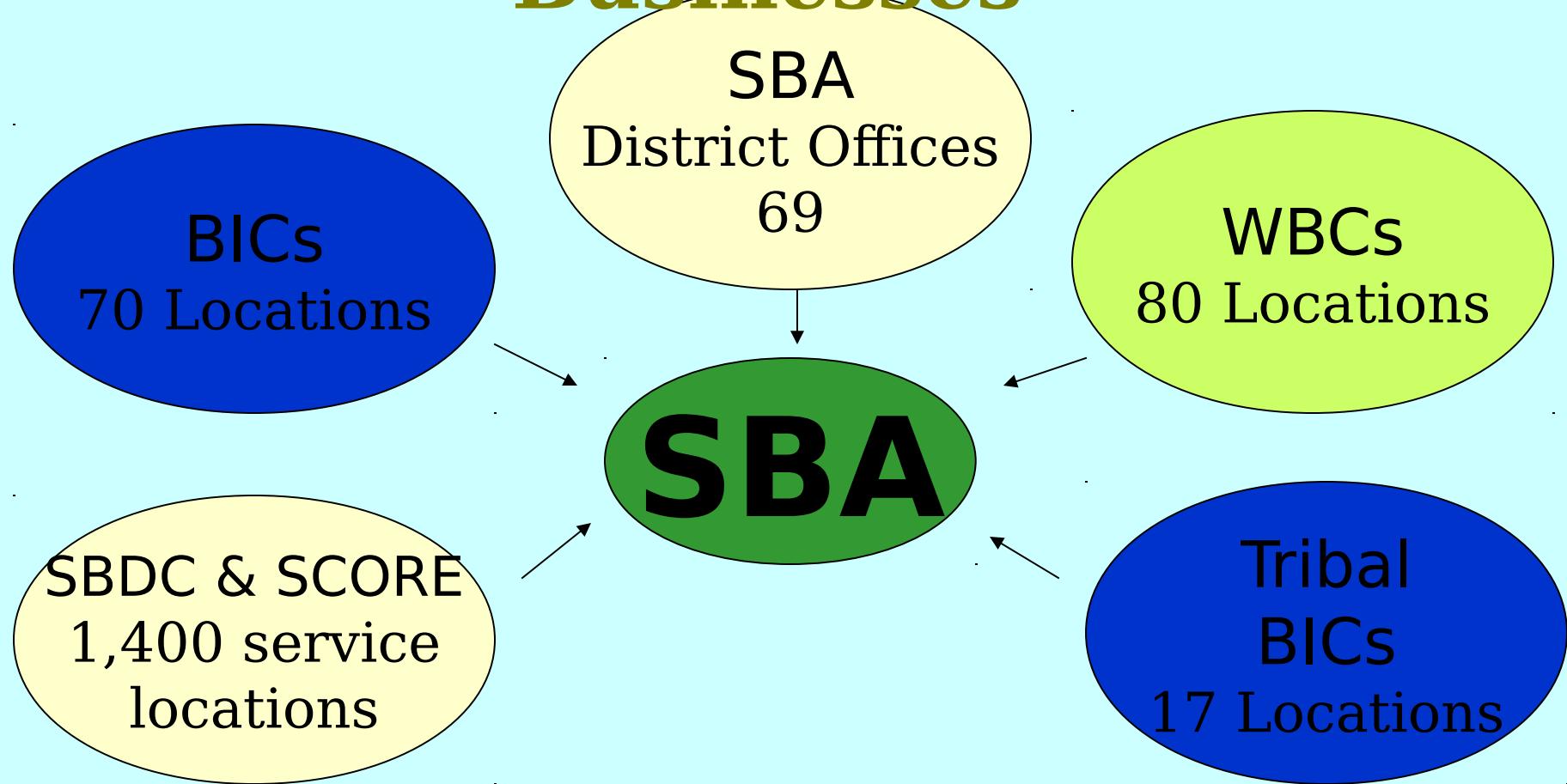
*Can we help you solve the puzzle of starting or expanding your business?*

# Programs & Services Overview

- Financial Assistance
- Federal Government Contracting Assistance
- Research & Assistance
- Advocacy Development Assistance
- Counseling & Technical
- Disaster Assistance
- And Targeted Assistance for
  - Veterans
  - Exporters
  - Native Americans
  - Small Disadvantaged Businesses
- Women
- Empowerment Zones/Enterprise Comm
- Franchisors/Franchisees
- Historically Underutilized Business Zon



# SBA is Organized for Small Businesses



# SBA's Programs and Services

## Financial Programs

# Three (3) Main Reasons Why Lenders Use SBA

- Newer or Start-Up Business
- Collateral
- Longer Repayment Term

# General Eligibility Requirements

- Size: Must Qualify as a Small Business
- A Small Business is Independently Owned and Operated
- Not Dominate in the Field
- Meets SBA's Employment or Sales Standards
- Wholesale - No more than 100 Employees
- Retail or Service - \$5.0 to \$20.0 Million
- Manufacturing - 500 to 1,500 Employees
- Construction \$7.0 to \$17.0 Million

# Ineligible Types of Businesses

- Gambling or Speculation
- Real Estate Investment & Other Speculative Activities
- Lending Activities
- Pyramid Sales Plans
- Illegal Activities
- Academic Schools
- Businesses Providing Prurient Sexual Material

# Ineligible Businesses Continued

- Non-Profit Organizations
- Religious Organizations
- Charitable Organizations
- Businesses or Business Owners, Who Have Defaulted on a Federal Loan or Federally Assisted Financing that Caused the Government to Sustain a Loss.

# Purpose of Loan

- Purchase Land or Buildings
- Expansion or Conversion of Existing Facilities
- To Purchase Machinery & Equipment, Supplies, Materials, or Inventory
- Working Capital
- Short Term Asset Based Lines of Credit
- Debt Refinancing (Under Limited Circumstances)

# SBA Lender Requirements

Common documentation includes:

- Purpose of loan
- Business history\*
- 3 years of company tax returns\*
- Current financial statements\*
- Schedule of term debts and leases\*
- Aging of accounts receivable and payable\*
- Projected opening-day balance sheet\*\*
- Amount of owner investment in business
- Projections of income, expenses and cash flow
- Signed personal financial statements
- Personal résumés

# SBA's Credit Requirements Continued

- Owners Must be Able to Provide from their Own Resources Sufficient Funds to Have a Reasonable Amount ***“At Stake”*** to Withstand Possible Losses, Particularly During the Early Stages, If the Venture is a New Business
- Willing to Pledge Available Business Assets to Secure the Loan
- Personal Guarantees of all Owners with 20% or More Interest in the Business, Which May Be Secured by Personal Assets

# Maximum Thresholds

- The Maximum SBA Share of Any Loan or Guaranty Usually Will Not Exceed \$1,000,000
- The Maximum SBA Loan amount Will Not Exceed \$2,000,000
- SBA's Guaranty on Any Loan of \$150,000 or Less is Usually 85%
- SBA's Guaranty on Any Loan of More Than \$150,000 is Usually 75%

# Loan Maturity

- Working Capital Loans - Up to 7 Years
- Machinery and Equipment - Up to 10 Years
- Construction of Plant Facilities - Up to 25 Years
- Repayment Usually on a Monthly Installment Basis, Principal and Interest
- Variations Negotiated to Meet Seasonal Cycles of Business Activity

# Interest Rates

- Are Negotiated Between the Applicant and the Lender Based on the Credit Merits of the Application
- For Loans with a Maturity of Less than 7 Years, the Maximum Rate is New York Prime, Plus 2 1/4 Percent
- For Loans with a Maturity of 7 Years or more, the Maximum Rate is New York Prime, Plus 2 3/4 Percent
- Exceptions are Made for Loans of \$50,000 and Under, Which May be Slightly Higher

# Fees Associated with SBA Loans

- If the Loan Amount is \$150,000 or Less, the Fee is 1% of the Guaranteed Portion
- If the Loan Amount is More than \$150,000, but Less than \$700,000, the guaranty fee is 2% of the Guaranteed Portion
- If the Loan Amount is More than \$700,000, the Guaranty fee is 3.5% of the Guaranteed Portion

# CapLine Revolving Line of Credit for Small Businesses

- Provides Flexibility to Finance the Cash Cycle of Your Small Business
- SBA Provides a Term Commitment for a Revolving Line-of-Credit Loan
- Supplies Capital to Cover Cyclical, Recurring and Short Term Needs
- Good for Up to Five Years

# CAPLines Umbrella

- Seasonal
- Contract
- Builder
- Standard Asset Based
- Small Asset Based



# Key Characteristics of a CAPLine Loan

- 7(a) Regulations
- 7(a) Size Standards
- 7(a) Application Forms
  - Plus month-to-month cash flow statement
- One time increase up to 1/3
- Term up to 5 years
- Guaranty up to \$750,000

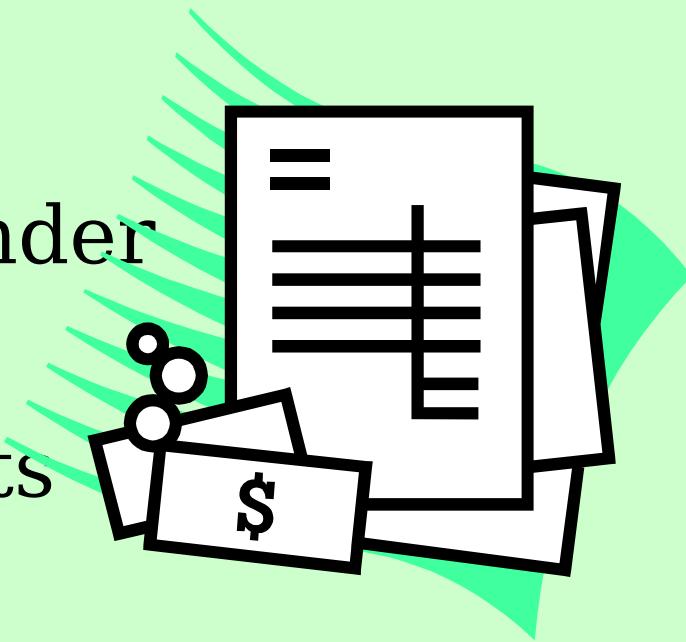
# Guaranty Percentages & Fees

- 7(a) Fee Structure
  - 1 year or less equals 1/4 of 1%
- 85% Guaranty on \$150,000 or less
- 75% Guaranty on all other loans
- Maximum servicing fee of 2% per year



# Contract CAPLine

- Labor & materials only
- Proceeds assigned to lender
- Ability to perform
- Two cash flow statements
  - specific contract
  - all work
- Single or multiple contract financing



# Standard Asset-Based CAPLine

- Covers requests over \$200,000
- Must revolve
- Cash collateral account
- Borrowing base certificate per disbursement
- Maximum advance rate
  - 80% of eligible A/R
  - 50% of eligible Inv
- No fee restrictions

# Standard Asset-Based Application Forms

- SBA Form AB-4
- SBA Form AB-4I
- SAB-159 A
- LQS-2



# The SBA Homepage



[www.sba.gov](http://www.sba.gov)

**www.sba.gov**

- Major Web Site For Small Business Resources
- Small Business Tools
- Research
- Legislation
- Procurement
- Banking Resources





# Thank You!



1-800 U ASK SBA

[www.sba.gov](http://www.sba.gov)

